Bank Reconciliation Process:

Step 1: Adjust the Balance per Bank

Balance per bank statement at the end of the month

ADD: deposits in transit (amounts the company has received and recorded, but has not yet been recorded by the bank, for example a deposit on the last night of the month, the bank will process it the next day meaning it will record this amount on the next month’s bank statement)

DEDUCT: Outstanding cheques (cheques that have not yet been cleared/cashed, these have been written and recorded on the company’s side but not on the banks side)

ADD or DEDUCT: Bank errors (mistakes made by the bank, this only affects the amount/balance in the bank account not on the companies side since they did not make those errors)

**This is the adjusted/corrected balance per bank**

Step 2: Adjusting the Balance per Books

Balance per books at the end of the month

DEDUCT: Bank service charges

DEDUCT: NSF cheques and fees

DEDUCT: Cheque printing charges

ADD: Interest earned

ADD: Notes Receivable collected by the bank

ADD or DEDUCT: Errors in company’s cash account

**This is the adjusted/corrected balance per books**

Step 3: The adjusted balances from step 1 and step 2 should be the same ☺